

# Problems with the BSU Grant Agreement

[link to grant agreement: [ow.ly/eJrt300uYU4](http://ow.ly/eJrt300uYU4)]

## Mechanisms of Control

The Charles Koch Foundation and the John H. Schnatter Family Foundation are donor partners in the creation of the John H. Schnatter Institute for Entrepreneurship and Free Enterprise. It establishes “Institute Programs” consisting of four tenure-track professorships (two Entrepreneurship, two Economics), an “Operations Manager,” an “Entrepreneurial Learning Academy,” an “Entrepreneurial Leadership Academy,” two “Graduate Assistants,” “Undergraduate Programs,” “Entrepreneurship Center Support,” “Research,” and “Research and Education Support” under a specific “Institute Director.” One of the entrepreneurship professorships is a newly created tenure track line.

The agreement establishes these programs with the stipulation that Ball State University provide \$2,500,00 while the donor’s provide \$3,250,000 (with \$1,085,000 from Koch and \$2,165,000 from Schnatter).

## Contractual Influence Over Hiring And Programming

At universities where the public has been able to see a contract (Memoranda of Understanding, or MOU) signed by a university and the Charles Koch Foundation, a common stipulation common to them all is that any activities must comply with the a provision of the contract that CKF calls its “Objectives and Purposes.”

In the more recently created Koch centers, including **Ball State University** this stipulation is hidden in a seemingly separate provision, the “Institute’s Mission,” which Koch goes out of their way to seem uninvolved in. The 2016 Grant Agreement very cautiously establishes the “Institute’s Mission” as:

the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to become a national model for values- and ethics-based entrepreneurship, developing research and talent to help solve contemporary problems and promote understanding of the characteristics and virtues of free enterprise in helping people improve their lives (the "Institute's Mission"). (BSU Agreement, Sec. 2.a)

The agreement also acknowledges that the Institute is not yet created, but that it “will be imminently created at the University.”

Other activities outlined in the Proposal to Koch and Schnatter clarify the activities involved in the Institute’s Mission. The Institute Programs will require that faculty and students “[i]nform ripe policy debates” on issues affecting “free enterprise,” campus-wide “teaching and training” of “free enterprise,” and the development of a PhD program in Entrepreneurship (BSU Agreement, Attachment A).

## Donor Withdraw

Though the Grant Agreement appears to leave hiring to the university, “The selection of the foregoing positions will follow the University's standards and procedures for hiring faculty and staff” (BSU Agreement, 2.b), the donor retains explicit control over the use of funds, including the annual renewal of their funding to any part of the Institute Programs.

Broadly, the agreement gives Koch and Schnatter the “sole and absolute discretion” to withdraw their funding for any part of the Institute Programs, at any time:

The Donor has the right to terminate this Agreement or decline to provide any Contributed Amount in response to a Foundation Grant Report if, in its sole and absolute discretion: (i) the Foundation or the University has materially breached this Agreement; (ii) the Institute Programs are not advancing the Institute's Mission as stated in this Agreement; or (iii) such action is necessary to comply with any law applicable to the Foundation, the University, or the Donor. Such termination or decision not to provide any Contributed Amount in response to a Foundation Grant Report shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the Foundation or the University. In the event the Donor terminates the Agreement, the Foundation and the University each agree to return all uncommitted Contributed Amounts to the Donor within fifteen (15) days of the Donor's request. (BSU Grant Agreement, 8.a)

The university is not similarly allowed to terminate the agreement, except for when the Donor has already withdrawn funding:

If, for a reason other than the positions under the Institute Programs being unfilled or the Institute Programs otherwise not occurring, the Donor does not provide a significant portion of a Contributed Amount in response to a "Foundation Grant Report" (defined below), the University has the right in its sole and absolute discretion to terminate this Agreement. (BSU Agreement, 4.c)

## Annual Donor Veto Over Renewal of Funding

An additional measure of control, the Donor maintains the ability to review annually before releasing any of the next years Contributed Amounts, in part or in full.

The Foundation shall submit an annual written report according to the schedule below to the Donor for the Donor's consideration (the "Foundation Grant Report") and an accounting of the expenditure of any Contributed Amount previously received. The Donor shall review the Foundation Grant Report in good faith. If the Donor approves the Foundation Grant Report, the Donor shall make a contribution up to the amount listed in the below schedule to the Foundation (BSU Agreement, 5.a)

This mechanism was described overtly by Koch scholars at a recent meeting of the Association for Private Enterprise Education.

## Donor Influence over Scholarship

### Donor Stipulated Director

Despite going to great lengths to clarify that the Institute Director, Michael Goldsby, was selected by the university, Koch's contract stipulates

Dr. Michael Goldsby, who was selected by the University, shall be the initial director of the Institute (the "Institute Director"). The Parties believe the Institute Director is a critical part of advancing the Institute's Mission; therefore, the University will at all times during the Term of this Agreement seek to employ an Institute Director who is qualified to advance such mission, subject to the University's established policies and procedures for hiring faculty and staff. If the individual holding the Institute Director position changes, the University shall promptly notify the Donor.

Goldsby has received grants from the Koch foundation in the past, and despite being "selected by the university," Goldsby was vetted by the donor already, and is now contractually stipulated.

### Donor Interest in Tenure Track Lines

The Agreement requires the allocation of three tenure track lines, and the creation of another new tenure track line.

### Donor Interest in other hires

The Proposal to create the Schnatter Institute involves what appears to be the expectation expanding university hires that are affiliated with the Institute, and thus bound by the donors' intent.

Any individual the Institute Director presents to another academic unit as a possible hire or affiliate of that unit must be recommended by that unit pursuant to the University's and unit's procedures for selecting people for those units. (BSU Agreement, Attachment A)

### Donor created degree program

Among the several objectives in the grant agreement include the stipulation that "The Institute will":

Develop a PhD program in Entrepreneurship in accord with University and State policies and procedures within the next five years.

## Anti-Transparency Measures

The Grant Agreement requires that the university avoid transparency as much as possible, requiring:

The Foundation and the University agree to keep confidential and not to disclose to any third party the existence of contents of this Agreement without express written approval from the Donor, except as otherwise may be required by law; including in response to a public records request submitted under applicable State or Federal law. If the Foundation or the University is required to disclose the existence of the content of this Agreement to any third party, the Foundation and the University agree to provide the Donor with prompt advance written notice of such disclosure. (BSU Agreement, 8.b)

## Promoting “Academic Freedom”

The BSU/Koch agreement begins with what appears to be a statement that defends Academic Freedom:

**Promoting Academic Freedom.** The Donor's grant is intended to help promote an environment at the University where ideas can be exchanged freely and useful knowledge will benefit the **well-being** of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Institute, and their faculty, students, and staff is critical to the success of the Institute's research, scholarship, teaching, and service.

Recent reporting by Jane Mayer exposed the use of “**well-being**” as a code word for free market capitalism:

At another panel that weekend, James Otteson, a professor of political economy at Wake Forest University's business school, argued that using the term “well-being” would be “a game changer.” He added that he was setting up an institute devoted to well-being at Wake Forest. To illustrate the power of framing free-market theories in this way, he shared an anecdote. A colleague, whom he described as a “left-wing political scientist” who “railed” against Republicans and capitalism, had been so fully persuaded by Otteson's description of factors contributing to human well-being—“peace and security,” “health,” “environment”—that he had said, “You know, even I'd be willing to take Koch money for that.” The donors laughed. “Who can be against well-being?” Otteson exclaimed. “The framing is absolutely critical.” ([Mayer](#))

## Breakdown of Koch/BSU programming

Institute Mission	“The mission of the John H. Schnatter Institute for Entrepreneurship and Free Enterprise is to become a national model for values- and ethics-based entrepreneurship, developing research and talent to help solve contemporary problems and promote understanding of the characteristics and virtues of free enterprise in helping people improve their lives.”
Institute Objectives	“The Institute will: -Engage in cross-campus teaching and training of students, professors, and campus and community leaders in entrepreneurship and free enterprise. - Inform ripe policy debates about issues affecting entrepreneurship and free enterprise in

	Indiana. -Develop a PhD program in Entrepreneurship in accord with University and State policies and procedures within the next five years. ”
“Institute Director”	Stipulated by donor but “selected by the university” “before any faculty staff or students become affiliated with the Institute, the Institute Director must provide a recommendation for the individual's affiliation,” “University will continue to pay the salary and benefits of the Institute Director throughout the Term of the Agreement.”
Two “Tenure-Track Entrepreneurship Professorships” (one new tenure track line)	“will teach general education and honors undergraduates, engage in research, and help ground studies of entrepreneurship in sound economics. These individuals will also devote a significant amount of their time and resources to work related to the Institute.”
two "Tenure-Track Economics Professorships"	“will teach general education and honors undergraduates, engage in research, and help ground studies of entrepreneurship in sound economics. These individuals will also devote a significant amount of their time and resources to work related to the Institute.”
"Entrepreneurial Learning Academy"	“will focus on educating and supporting faculty members involved in <b>developing courses and participating in other programs in entrepreneurship and free enterprise</b> ”
"Entrepreneurial Leadership Academy"	“will focus on educating and supporting <b>university administrative leaders in incorporating principles of entrepreneurship and free enterprise in their work</b> ”
"Graduate Assistants"	“at least two individuals each year who are graduate students at the University to support the activities of the Institute. All students receiving funds through the Institute will be affiliated with the Institute.”
"Undergraduate Programs"	“These programs focus on education of students in free enterprise and related topics in economics. They currently take place under the direction of a member of the University's Department of Economics”
"Entrepreneurship Center Support"	
"Research"	“The Institute Director will engage scholars in high-quality research that addresses questions germane to the mission of the Institute and will help ensure that research results are communicated both inside and outside academia. The Institute and University will become known as producers of research that advances <b>both academic and public understanding of how human well-being may be advanced in Indiana and beyond.</b> ”
"Research and Education Support"	“will develop marketing and educational materials to support the Institute's Mission.

“Entrepreneurship Center”	“will provide speakers, courses, and other programs to educate students in entrepreneurship and free enterprise.”
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